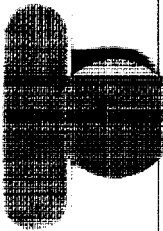


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**MEMORANDUM CONCERNING KAISER-FRAZER STOCK
INTERESTS IN CHASE AIRCRAFT**

STAT

In the hearings before the Preparedness Subcommittee No. 1, Senate Armed Services Committee, June 2, 1953, starting at page 47, Mr. McCone was queried about the Kaiser-Frazer purchase of Chase stock. In 1951 when Kaiser-Frazer had a contract as a second source producer of C-119's, Kaiser-Frazer acquired 49 per cent interest and management control of the Chase Aircraft Company. Chase was going into production of the C-123, which was a direct competitor of the C-119, and partly because of the spirit of commitments to Fairchild, the original producer of the C-119, the Air Force decided to phase the Kaiser-Frazer Willow Run Plant out of C-119 production. In answer to a direct question, Mr. McCone said that the Air Force did not propose to Kaiser-Frazer that they buy the stock in the Chase company and that it was not in the Air Force's province to decide what Kaiser-Frazer should do with its money. Mr. McCone said he did not know why Kaiser-Frazer bought the Chase stock except he felt that they wanted a permanent place in the aircraft business and probably felt that as a second source for the Fairchild C-119 they were only temporarily in the business and by acquiring the Chase stock would be in the position of a basic supplier.